

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

MA&UD Deptt., - Permission to adopt price adjustment formula for variation in cost of DI Pipes due to increase/decrease in the cost of Pig Iron in addition to steel, cement/Bitumen and POL for all ongoing and future projects – Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (A2) DEPARTMENT

G.O.Rt.No.910

Dated:21-06-2008.

Read the following:

- 1.G.O.Ms.No.435, MA&UD Deptt., dated 18-8-2006.
- 2.From the Engineer-in-Chief (PH), Hyderabad,
Lr.10704/T5-Kadiri/WSIS/2005, dated 18-1-2008.
- 3.From the Engineer-in-Chief (PH), Hyderabad,
Lr.10704/T5-Kadiri/WSIS/2005, dated 17-4-2008.
- 4.G.O.Ms.No.94, TR&B (R.I) Deptt., dt.16-4-2004,

ORDER:

In the reference 2nd read above, the Engineer-in-Chief (Public Health), Hyderabad has stated that the PH & ME Department is taking up several Projects in the sectors of Water Supply, UGD, Storm Water Drains & Roads under UIDSSMT, HUDCO & Plan. In all the Projects, Price Adjustment Clause is applicable as per G.O.Ms.No. 435, Dated 18-8-2006. As per this said GO price adjustment is applicable in respect of Steel, Cement, Bitumen and POL only. In many of the water supply projects, DI Pipes are being used as pumping mains and Distribution network. The Kadiri WSIS and Kurnool WSIS are some of the Projects in which DI pipes are proposed for pumping mains and supply and laying of the DI pipes is the major component of the scheme.

2. Some of the firms manufacturing the DI pipe have informed that due to shortage of pig iron and coke in the international market the rate has increased by 30% and also they are unable to confirm the supply position of DI pipes. Further, they have also informed that the inputs for DI pipes are being subjected to frequent abnormal increases resulting in increases in the prices of Ductile Iron pipes and it is expected that the prices may rise further and requested to apply price variation formula for DI pipes also. The firms have requested to incorporate the price variation clause for DI pipes in the above work. Further, they have informed that 0.96 MT of Pig iron is required to manufacture 1 MT of DI pipes.

3. In the reference 3rd read above, the ENC (PH) has stated that the Builders Association has represented that the price variation formula based on the Price Index does not reflect the actual price variation of raw materials in the market and hence price of raw materials as recommended by Board of Chief Engineer shall be taken in to account for price variation formula.

(pto)

4. M/s. Lanco Industries Ltd., one of the major manufacturer of DI Pipes represented that due to abnormal increase of price of Pig Iron without price variation formula, it would not be possible for them to supply ductile iron pipes either for ongoing or future projects and requested to introduce immediately price variation clause for Ductile Iron for all ongoing and future projects.

5. The Engineer-in-Chief (PH), Hyderabad has proposed the following price adjustment formula for DI Pipes based on Foundry Grade Pig Iron price. The variation in cost of DI Pipes due to increase / decrease in the cost of Pig Iron can be allowed as per the following formula:

$$P_2 = P_1 + (CPI_2 - CPI_1) / 1000 \times M \times 0.96$$

Where

P₂ = Revised pipe price in Rupees per Meter

P₁ = Pipe Price in Rupees per Meter as per **SSR**
/ Agreement.

CPI₂ = Price of Pig Iron at the time of delivery

CPI₁ = Price of Pig Iron considered in estimate

M = Weight of pipe in Kgs per Meter as per
IS:8329-1994

0.96 = 0.96 MT of Pig Iron is required to
manufacture of 1 Mt of DI Pipes

6. He has therefore requested to accord permission to adopt the above price adjustment formula for variation in cost of DI Pipes due to increase / decrease in the cost of Pig Iron in addition to steel, cement, Bitumen and POL which was allowed in G.O. Ms.No. 435, Dt: 18.08.2006 for all the ongoing and future projects in the department.

7. In G.O.Ms.No. 94 TR & B, (R1) Dept. Dt. 16.04.2008 Orders were issued allowing to adopt price adjustment for Steel and Cement every month in supersession of the orders issued in G.O.Ms.No. 35 TR & B, dt. 28.02.2006 and formula used for adjustment based on whole sale Price Index and co-efficient of 0.85 is now replaced by the absolute variation between estimated rates and the rate approved by the Govt. based on the recommendation of Board of Chief Engineers for the month starting from the 1st March, 2008 subject to certain conditions laid therein. One of the conditions is that the price adjustment shall be applicable for all ongoing and future works. Accordingly the present formula for price adjustment for DI Pipes based on Foundry grade Pig Iron price has to be made applicable for all the ongoing and future projects in the department.

8. Government after careful examination, hereby accord permission to adopt the following price adjustment formula for variation in cost of DI Pipes due to increase / decrease in the cost of Pig Iron in addition to Steel, Cement, Bitumen and POL which was allowed in G.O.Ms.No. 435. dt. 18.08.2006 for all

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the ongoing and future projects in the department and also as per orders issued in G.O.Ms.No.94, TR&B Deptt., dated 16-4-2008;

$$P2 = P1 + (CPI_2 - CPI_1) / 1000 \times M \times 0.96$$

Where

P2 = Revised pipe price in Rupees per Meter

P1 = Pipe Price in Rupees per Meter as per SSR / Agreement.

CPI₂ = Price of Pig Iron at the time of delivery

CPI₁ = Price of Pig Iron considered in estimate

M = Weight of pipe in Kgs per Meter as per IS:8329-1994

0.96 = 0.96 MT of Pig Iron is required to manufacture 1 Mt of DI Pipes

9. The Engineer in Chief (PH) Hyderabad is requested to take necessary further action, accordingly.

10. This order issues with the concurrence of Finance (Expr.M&F) Deptt., vide their U.O.No.14324/178/A1/ Expr.M&F/2008, dated 21-5-2008.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

S.P.SINGH
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Engineer-in-Chief (PH), Hyderabad.
The Commissioner & Director of Municipal Administration,
A.P., Hyderabad.

Copy to:

The P.S. to Hon'ble M(MA).
The P.S. to Prl.Secy. to Govt., MA&UD Deptt.,
The P.S. to Special Secretary to Hon'ble C.M.
SF/SC.

// Forwarded by Order //

SECTION OFFICER